

An organization formed by a group of individuals at a United States military base in a foreign country, which meets all but the territorial requirements of the Federal Credit Union Act, will be regarded as a "credit union" for purposes of section 501(c)(14)(A) of the Code.

The question has been raised whether the organization described below qualifies for exemption from Federal income tax under section 501(c)(1) or 501(c)(14)(A) of the Internal Revenue Code of 1954 as a credit union.

A group of individuals at a United States military installation in a foreign country formed a nonprofit association to accumulate savings and have a source of credit at reasonable rates. The association restricts membership to United States military personnel and civilians employed at the installation and provides services only to its members. Its purposes and method of operations conform to the provisions of the Federal Credit Union Act, 48 Stat. 1216 (June 26, 1934); 73 Stat. 628 (September 22, 1959).

Section 501(c)(1) of the Code provides for the exemption from Federal income tax of corporations organized under Act of Congress if they are specifically exempt under such Act and if they are instrumentalities of the United States. Credit unions chartered under the Federal Credit Union Act are recognized as United States instrumentalities and are exempt under section 501(c)(1) of the Code.

Section 27 of the Federal Credit Union Act states that the provisions of the Act shall apply to the several States, the District of Columbia, the several Territories and possessions of the United States, the Panama Canal Zone, and the Commonwealth of Puerto Rico. As this organization is not within the geographic area described, it may not be chartered as a Federal credit union even though its purposes and activities otherwise meet the requirements of the Act. Accordingly, it is held that it does not qualify for exemption from Federal income tax under section 501(c)(1) of the Code.

Section 501(c)(14)(A) of the Code provides for the exemption from Federal income tax of credit unions without capital stock organized and operated for mutual purposes and without profit.

Revenue Ruling 69-282, page 155, this Bulletin, holds that state law determines whether an organization formed under the laws of one of the States is a "credit union" for purposes of exemption from Federal income tax under section 501(c)(14)(A) of the Code. However, if an organization is not governed by the law of any of the States, its status as a credit union cannot be determined by State law. In such situation, if the organization meets all but the territorial requirements of the Federal Credit

Union Act, it will be regarded as a credit union for purposes of exemption under section 501(c)(14)(A) of the Code.

Accordingly, it is held that this organization is exempt from Federal income tax under section 501(c)(14)(A) of the Code as a credit union because it meets all but the territorial requirements of the Federal Credit Union Act.

Even though an organization considers itself within the scope of this Revenue Ruling, it must file a request for exemption with the District Director of Internal Revenue for the internal revenue district in which is located the principal place of business or principal office of the organization. See section 1.501(a)-1 of the Income Tax Regulations.